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SIPDIS  
DEPT FOR LAC/AA JANET BALLANTYNE, LAC/AA/EMT PETER LAPERA FROM THE AMBASSADOR

E.O. 12958: N/A

TAGS: [EAID](#) [KDEM](#) [PHUM](#) [EFIN](#) [PGOV](#) [PREL](#) [GT](#)

SUBJECT: Helping Guatemala's Indigenous and Rural Population address the Global Financial crisis

¶1. The impacts of the global economic crisis in combination with the El Nino induced drought has created severe hardships for Guatemala's poor, exacerbated levels and severity of malnutrition and caused a spike in food security related deaths in children under 5. With substantial funding (\$20 million) from the Supplemental Appropriation for the Financial Crisis, the USG could assist the GOG to: attenuate the impact of crisis on the poor and most vulnerable by supporting the GOG's principal safety net program, the Conditional Cash Transfer (CCT), Mi Familia Progres a ("My family progresses"); work with the private sector, civil society, communities and local government to help families to construct more viable livelihoods, charting a path out of poverty; and work with both the GOG and civil society to strengthen the management and accountability of Mi Familia Progres a.

¶2. The global economic crisis has dramatically exacerbated the plight of Guatemala's poor, which include disproportionate numbers of indigenous and women in rural areas. Remittances have fallen 10%, a source that accounts for 50% to 60% of the poor's incomes. Un- and under employment is up sharply, credit has contracted and food availability, especially for the rural poor has deteriorated drastically in broad areas affected by a drought whose effects are expected to deepen and broaden over the coming year. A just completed nutritional survey focused on the most distressed communities in 60 municipalities, mostly located in the southeastern "dry corridor", reveal alarming levels of acute malnutrition -- 11% in children under 5 and over 13% in women of reproductive age. To our knowledge, these levels are without historical precedent in Guatemala.

¶3. I recommend that we undertake a focused program that will offer both immediate relief and seek to leave in place enhanced capacity of the state, communities and families to better cope with the global economic crisis and to lay the basis for better and more sustainable social service delivery and income enhancing opportunities for the poor. The program would consist of 3 distinct components detailed below.

¶4. Conditional Cash Transfer (CCT) Program: Falling revenues and growing needs have created acute strains on the GOG's 2010 budget which is in the final stages of approval in the Congress involving a contentious debate over priorities and accountability. USG funding would cover the costs of the cash transfers to families participating in Mi Familia Progres a in selected municipalities. Women, and in particular indigenous women heads of families, would be major beneficiaries of this program. Program resources would also be used to: complement CCT funding with education on nutritional education and hygiene practices and improve health and education infrastructure overtaxed by the increase in demand for services generated by the incentives to keep kids in school and to make regular use of primary health care facilities. These investments will be accompanied by assistance to improve the

coordination, administration and delivery of improved education and health care services. The goal is to leave in place improved physical and organizational capacity to deliver better quality health and education services in targeted municipalities.

¶5.     Livelihood Assistance: In those municipalities where USAID has food security, agricultural development and other programs that focus on helping the poor to increase their skills and capacity to improve their incomes and earning power, the program would finance productive infrastructure, assist small farmers, women and their associations with production, marketing and management and provide short term training in life skills. This program component would be undertaken in partnership with communities, local government and the private sector.

¶6.     Institutional Strengthening Conditional Cash Transfer Programs: Support for the CCT program will also help the GOG improve its capacity to better manage the CCT Program, and in particular, Mi Familia Progresá. Utilizing instruments that USAID already has in place, we will provide technical assistance to help improve the quality assurance system focused on improved administration, financial, monitoring and evaluation, and information management needed to improve transparency, accountability and program impact. By so doing, we would be raising the bar for accountability and transparency in CCT programs in Guatemala, and potentially reduce the politicization of CCT

programs in the future. We will act in concert with other members of the international community assisting the GOG with its CCT Program.

¶7.     At a time of deepening crisis and intense national debate over the Colom Government's effort to chart a more progressive social policy, our assistance can contribute to the goal of palliating the plight the poor are now suffering while also contribute to the public sector's capacity to manage its CCT programs and to poor's opportunities to improve and stabilize their incomes.  
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